Senate Bill 357 Talking Points

- SB 357 would amend Section 7A of the Michigan Business Corporations Act to reverse the changes made by House Bill 4764 (PA 181 of 2003).
- In 2003, the legislature adopted the law to protect Michigan shareholders from hostile takeovers via unsolicited tender offers or accumulation of shares in the open market.
    - Specifically, the change protected the Taubman Company from a hostile takeover.
- The statute is so broadly written that it has the unintended consequences of covering Michigan corporations where friendly shareholders take large positions by buying stock from the corporation (rather than the open market).
- The law is now an impediment for banks such as Flagstar Bancorp to acquire other banks because it provides minority shareholders an opportunity to block transactions that may benefit all shareholders with only a merger with a company multiple times larger not requiring the Chapter 7A supermajority vote.
- Chapter 7A applies to an "interested shareholder," which is defined as a shareholder that acquires 10% or more of the voting shares.
    - Chapter 7A would be amended to exclude from the definition of "business combination" those mergers or consolidations involving another party that was neither an "interested shareholder" nor an affiliate of the "interested shareholder" prior to the transaction, provided that all shareholders are treated the same on a pro-rata basis in the transaction. Those shareholders who purchase stock from the corporation would be excluded from the definition of "interested shareholder" (unless the board elects to include them)
- Taubman does not object because they have since incorporated in the State of Deleware and no other opposition has come forth.